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Board Meeting

Financial Statements Certified by Coopers & Lybrand

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS
for the year ended June 30, 1987

Coopers
& Lybrand

Certified Public Accountants

BOSTON REDEVELOPMENT AUTHORITY
COMBINED FINANCIAL STATEMENTS
for the year ended June 30, 1987

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To the Board of Directors
Boston Redevelopment Authority:

We have examined the combined balance sheet of the Boston Redevelopment Authority as of June 30, 1987 and the related combined statement of revenues, expenditures, and changes in fund balances and statement of changes in assets and liabilities of agency funds for the year then ended as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Boston Redevelopment Authority has not maintained records of the costs of its general fixed assets and, therefore, a statement of general fixed assets is not presented in the accompanying combined financial statements as required by generally accepted accounting principles.

In our opinion, except for the effects of not recording the costs of general fixed assets as discussed in the preceding paragraph, the financial statements referred to above present fairly the financial position of the Boston Redevelopment Authority as of June 30, 1987 and the results of its operations and changes in fund balances and changes in agency funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Boston, Massachusetts
December 4, 1987

BOSTON REDEVELOPMENT AUTHORITY

COMBINED BALANCE SHEET

June 30, 1987

ASSETS	General Fund	Agency Funds	General Long-Term Obligations Group of Accounts	Project Funds	Interfund Eliminations	Combined Total (Memorandum Only)
Cash and interest-bearing deposits	\$ 671,681					\$ 671,681
Investments (Note C)	4,706,932	\$ 2,635,385		\$21,118,531		28,460,848
Accounts receivable (net of allowance for bad debts of \$31,962)				163,125		163,125
Billed amounts due from federal, state and city	203,395	210,402		2,790,528		3,204,325
Unbilled amounts due from federal, state and city	484,550			3,483,563		3,968,113
Due from other funds	2,319,903				\$2,319,903	
Other assets	33,831			110,000		143,831
Amounts to be provided for retirement of general long-term obligations			\$2,233,756			2,233,756
Notes receivable (Note F)		22,960,544		3,713,800		26,674,344
Total assets	<u>\$8,420,292</u>	<u>\$25,806,331</u>	<u>\$2,233,756</u>	<u>\$31,379,547</u>	<u>\$2,319,903</u>	<u>\$65,520,023</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	2,457,565					2,457,565
Advances on contracts				668,556		668,556
Due to other funds		210,402		2,109,501	2,319,903	
Retainage	11,388			476,754		488,142
Deposits (Note G)	1,494,037			193,372		1,687,409
Accrued vacation, sick leave and retirement costs (Notes J and K)			2,233,756			2,233,756
Accrued liabilities	466,849					466,849
Other (Note I)				2,114,900		2,114,900
Deferred revenue (Note F)				4,048,832		4,048,832
Due to designated entities	780,384	25,595,929		1,135,501		27,511,814
Total liabilities	5,210,223	25,806,331	2,233,756	10,747,416	2,319,903	41,677,823
Commitments and contingencies (Notes H, I and L)						
Fund balances:						
Designated for accrued vacation, sick leave and retirement costs	2,233,756					2,233,756
Designated for projects				20,632,131		20,589,838
Undesignated	976,313					1,018,606
Total fund balances	<u>3,210,069</u>			<u>20,632,131</u>		<u>23,842,200</u>
Total liabilities and fund balances	<u>\$8,420,292</u>	<u>\$25,806,331</u>	<u>\$2,233,756</u>	<u>\$31,379,547</u>	<u>\$2,319,903</u>	<u>\$65,520,023</u>

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, TRANSFERS
AND CHANGES IN FUND BALANCES

for the year ended June 30, 1987

	<u>General Fund</u>	<u>Project Funds</u>	<u>Combined Total (Memorandum Only)</u>
Revenues:			
Federal, state and city funding grants	\$2,166,749	\$ 4,756,951	\$ 6,923,700
Proceeds from disposition of development sites	1,134,804	4,065,578	5,200,382
Rental income		7,527,968	7,527,968
Interest income	306,658	1,504,389	1,811,047
Other (Note B)	<u>183,676</u>	<u>1,464,672</u>	<u>1,648,348</u>
Total revenues	<u>3,791,887</u>	<u>19,319,558</u>	<u>23,111,445</u>
Expenditures:			
Personnel	1,307,572	9,042,592	10,350,164
Fringe	459,198	1,878,090	2,337,288
Supplies and services	496,507	3,898,857	4,395,364
Contractual services	344,974	1,218,622	1,563,596
Capital outlays		<u>4,318,784</u>	<u>4,318,784</u>
Total expenditures	<u>2,608,251</u>	<u>20,356,945</u>	<u>22,965,196</u>
Excess (deficiency) of revenues over expenditures before transfers	1,183,636	(1,037,387)	146,249
Transfer from General Fund to Project Funds (Note B)	(785,877)	785,877	-
Transfer from Agency Funds to Project Funds (Note B)		<u>290,257</u>	<u>290,257</u>
Excess of revenues over expenditures and transfers	397,759	38,747	436,506
Fund balance, June 30, 1986	<u>2,812,310</u>	<u>20,593,384</u>	<u>23,405,694</u>
Fund balance, June 30, 1987	<u>\$3,210,069</u>	<u>\$20,632,131</u>	<u>\$23,842,200</u>

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS

for the year ended June 30, 1987

	Balance, June 30, 1986	Additions	Deductions	Balance, June 30, 1987
ASSETS				
Cash	\$ 31,637		\$ 31,637	
Investments	3,530,180	\$ 1,607,121	2,501,916	\$ 2,635,385
Accounts receivable	(48,475)	1,309,951	1,261,476	
Due from other funds				
Billed amounts due from federal, state and city	318,000	210,402	318,000	210,402
Unbilled amounts due from federal, state and city	210,402		210,402	-
Notes receivable		22,960,544		22,960,544
Total assets	<u>\$4,041,744</u>	<u>\$26,088,018</u>	<u>\$4,323,431</u>	<u>\$25,806,331</u>
LIABILITIES				
Due to other funds	1,152,724		942,322	210,402
Retainage	2,077	21,569	23,646	
Deposits	98,010	1,200	99,210	
Due to designated entities	2,788,933	25,595,928	2,788,932	25,595,929
Total liabilities	<u>\$4,041,744</u>	<u>\$25,618,697</u>	<u>\$3,854,110</u>	<u>\$25,806,331</u>

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Property

The Authority is the owner of numerous properties within the City of Boston. The accompanying financial statements do not include a general fixed asset group of accounts. Use of the proceeds from the rental and ultimate disposition of the properties is restricted to allowable project costs. Expenditures for office equipment are expensed as incurred.

Vacation, Sick Leave and Retirement Costs

Employees earn vacation and sick leave as they provide services. They may accumulate (subject to certain limitations) unused vacation and sick leave earned and, upon retirement, termination or death, may be compensated for accumulated unused vacation equal to twice their current allowable vacation. Sick leave accumulates at the rate of 1 1/4 days for each calendar month with no maximum limit. Upon termination, employees with fifteen or more years of service may receive in cash a portion of their accrued but unused sick leave in accordance with an established formula.

Substantially all employees participate in the contributory State-Boston Retirement System. In accordance with the Laws of The Commonwealth of Massachusetts, retirement costs are funded on a "pay-as-you-go" basis (estimated retirement benefits to be paid in excess of employees' contributions and earnings thereon). The Authority is annually assessed its proportionate share of the retirement costs of the State-Boston Retirement System by the City of Boston. Pension expense is provided for in the financial statements based upon an actuarial determination that includes amortization of unfunded benefits. (See Notes J and K.)

In accordance with NCGA Statement 4, accumulated benefits which will not be liquidated with expendable available financial resources are recorded in the General Long-Term Obligations Group of Accounts.

Unbilled Accounts Receivable

Unbilled accounts receivable arise from certain Authority activities. Unbilled receivables are recorded for expenses incurred which are reimbursable under specific grants and not yet billed. Retainage withheld from payments on construction and engineering contracts are not reimbursable by grant funding sources until paid and, therefore, these amounts are recorded as unbilled receivables. Liabilities for land taking are recorded when they become estimable and, if reimbursable under grants, unbilled receivables are recorded. Unbilled accounts receivables may not be billed and collected within one year.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

C. Investments:

The Authority holds in investments: funds received in connection with close-out agreements with the U.S. Department of Housing and Urban Development, deposits placed with the Authority by developers (see Note G), and funds required to be held in investments under contractual agreements.

The Authority follows the policy to invest in securities of the U.S. Government and its agencies as well as domestic corporate debt instruments which are rated "A" or better by Standard & Poors or Moody's corporate bond rating services. All investments are held in the name of the Authority.

Corporate debt securities are carried at amortized cost and have a total market value of \$8,367,220. All other investments are carried at cost plus accrued interest which approximates market value.

Investments as of June 30, 1987 consist of:

<u>Type</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity</u>
Daily Money Market	\$ 5,510,392	6.5%	
Certificates of Deposit	13,262,674	7.0% to 7.5%	8/3/87 to 9/9/88
U.S. Government Treasury Bills	82,031	5.18%	7/2/87
Corporate Debt Securities	<u>8,357,069</u>	5.75% to 12.75%	8/1/87 to 5/15/00
	27,212,166		
Accrued interest receivable	<u>1,248,682</u>		
	<u>\$28,460,848</u>		

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

D. Related Party Transactions:

City of Boston

During the year ended June 30, 1987, the City provided resources of approximately \$6.4 million to the Authority, as follows:

(in thousands)

Urban Development Action Grants (UDAG)	\$ 780
City planning appropriations	2,100
City capital appropriations	2,528
Community Development Block Grants (CDBG)	830
Other federal and state	149
City public works and other	<u>7</u>
	<u>\$6,394</u>

The City of Boston also provides office facilities to the Authority at no charge.

E. Billed Amounts Due From Federal, State and City:

Included in billed amounts due from federal, state and city is \$1,339,834 receivable from the Boston Water and Sewer Commission (BWSC), an agency of the City of Boston.

This receivable represents the net amount due to the Authority for work performed in prior years for BWSC in connection with grants from the Environmental Protection Agency (EPA) and the Massachusetts Department of Water Pollution Control (MDWPC). At present there are some unresolved matters related to the appropriate funding sources for this receivable. Representatives from the Authority, BWSC and MDWPC are working together to close out grants related to this receivable. The Authority believes the \$1,339,834 is due and payable from the BWSC and is prepared to take the necessary steps to pursue collection.

F. Notes Receivable:

Notes receivable in the Agency Fund are comprised of funds advanced to developers under various UDAG and housing initiative agreements. The liabilities to the funding sources are reflected in due to designated entities. In prior years' financial statements these notes receivable and corresponding liabilities were presented in a footnote and not reflected in the Agency Funds

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

balance sheet. In fiscal year 1987, the Authority adopted the practice of reflecting both the asset and liability on the balance sheet. Accordingly, the balances in both accounts, aggregating \$20,208,271 as of July 1, 1986, have been included in the current year activity in the statement of changes in assets and liabilities.

Notes receivable amounting to \$3,713,800 in the Project Funds represent a promissory note from a developer. The note bears interest at a rate approximating the yield on thirty-year Treasury Bonds. A corresponding amount has been recorded as deferred revenue.

G. Deposits:

A portion of the investments held in the General Fund at June 30, 1987 relates to development deposits placed with the Authority in connection with specific or development projects. Such deposits are generally subject to escrow agreements and, accordingly, have been credited to the deposit account on the balance sheet.

H. Commitments:

At June 30, 1987, the Authority was committed under contracts for various funded projects in the aggregate amount of \$10,140,477.

I. Contingencies:

By virtue of the nature of the Authority's operations and its size, the Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by Contractors, Homeowners, Landlords and Tenants Liability insurance policies. In addition, the Authority is involved in land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain.

The Authority receives various grants from federal, state, city and other agencies which must be expended in compliance with the terms and conditions of the grants. These expenditures are subject to audit by the grantor agency and any disallowed expenditures could become either a reduction of future grants or a liability. However, the Authority has never had any material audit exceptions and believes none will result from existing programs.

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BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Based on information supplied by the Authority's counsel, the accompanying financial statements include estimates of probable future liabilities relating to the aforementioned lawsuits, and unbilled accounts receivable have been recorded to allow for the portion of such liabilities which are estimated costs to be reimbursable.

J. Changes in General Long-Term Obligations Group of Accounts:

Net changes in the General Long-Term Obligations Group of Accounts for the year ended June 30, 1987 are as follows:

Increase in accrued vacation and sick leave	\$18,504
Provision for accrued retirement costs in excess of amount to be funded currently	<u>80,112</u>
	<u>\$98,616</u>

K. Retirement Costs:

The provision for costs associated with the Authority's participation in the State-Boston Retirement System for the year ended June 30, 1987 amounted to \$1,583,000, which includes amortization over forty years of The Authority's unfunded actuarial accrued liability. The Authority makes annual contributions based upon a "pay-as-you-go" assessment. Following is a comparison of accumulated plan benefits and plan net assets as of June 30, 1987:

Actuarial present value of accumulated plan benefits:	
Vested	\$12,615,000
Nonvested	<u>614,000</u>
	<u>\$13,229,000</u>
Net assets available for plan benefits	<u>\$ 5,317,000</u>

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 10%.

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BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

L. Charlestown Navy Yard:

In connection with the Charlestown Navy Yard Redevelopment Project, the Authority was advanced \$1,740,000 by the developer to fund the acquisition of certain property in return for a note collateralized by a mortgage on the acquired property. The remainder of the note was repaid in fiscal year 1987 by the transfer of the property to the developer as the developer completed certain specified property improvements.

In fiscal 1987, the Authority recognized General Fund revenue of \$928,000 relating to equity participation on sales of property within the Navy Yard by the developer.

In fiscal 1988, the Authority has relocated personnel to offices located in the Charlestown Navy Yard. The Authority's lease expense for each of the next five years is expected to be approximately \$845,000.

